

AMENDED IN ASSEMBLY APRIL 19, 2001

CALIFORNIA LEGISLATURE—2001–02 REGULAR SESSION

ASSEMBLY BILL

No. 1350

**Introduced by Assembly Member Canciamilla
(Coauthor: Assembly Member Pescetti)**

February 23, 2001

An act to amend Sections 785, 785.1, and 785.5, of the Public Utilities Code, relating to energy, and declaring the urgency thereof, to take effect immediately.

LEGISLATIVE COUNSEL'S DIGEST

AB 1350, as amended, Canciamilla. Natural gas: producers: hookup: gas corporation.

(1) The California Gas Policy Act requires the Public Utilities Commission, among other things, to encourage as a first priority the increased production of gas in this state, as specified. The act also makes it the policy of the state that natural gas produced in this state is not placed at an unfair economic disadvantage relative to gas from sources outside of the state as the result of any transportation tariffs or conditions of service.

This bill would *make technical nonsubstantive changes in those provisions. The bill would require a gas corporation to provide a producer in California with a hookup to a pipeline of the gas corporation within 3 weeks of the producer providing the gas corporation with specified information state Legislative findings and declarations regarding the need for increased natural gas production in California. The bill would prohibit a gas corporation from assessing local transportation charges on gas moved from storage when the gas*

~~corporation has been paid backbone rates to move the gas into storage. The bill would establish procedures for the commission to review a gas corporation's denial or delay in making a requested hookup. The bill would permit the commission to order the gas corporation to pay the producer up to \$10,000 per day from the day following the 3-week period until the hookup is completed, if the commission finds the denial or delay unwarranted or unreasonable. The bill would also make technical, nonsubstantive changes in those provisions.~~

~~Because violations of the Public Utilities Act and orders of the commission are crimes under existing provisions of law, the bill would create a state-mandated local program by expanding the definition of a crime.~~

~~(2) The California Constitution requires the state to reimburse local agencies and school districts for certain costs mandated by the state. Statutory provisions establish procedures for making that reimbursement.~~

~~This bill would provide that no reimbursement is required by this act for a specified reason.~~

~~(3) This bill would declare that it is to take effect immediately as an urgency statute.~~

~~Vote: $\frac{2}{3}$. Appropriation: no. Fiscal committee: yes no. State-mandated local program: yes no.~~

The people of the State of California do enact as follows:

- 1 SECTION 1. The Legislature finds and declares all of the
- 2 following:
- 3 (a) California is one of the largest producers of oil and natural
- 4 gas in the nation.
- 5 (b) Natural gas is a critical commodity necessary to electrical
- 6 production, residential heating, commodity production, and
- 7 industrial manufacturing.
- 8 (c) California has historically produced up to 25 percent of its
- 9 total natural gas needs.
- 10 (d) It is in the long-term economic interest of the state to
- 11 encourage and increase the amount of natural gas produced in
- 12 California.
- 13 (e) *A process should be established governing the timely*
- 14 *connection in California of new standard wells, including those*

1 *proposed for connection through an existing meter, and*
2 *nonstandard wells to increase in-state natural gas production.*

3 *(f) Standard wells should be defined as wells that produce gas*
4 *supplies that meet the minimum pipeline quality standards*
5 *established by a gas corporation.*

6 *(g) Nonstandard wells should be defined as wells that produce*
7 *gas that does not meet the minimum pipeline quality standards*
8 *established by a gas corporation.*

9 *(h) An expedited arbitration process to oversee and resolve any*
10 *disputes resulting from the implementation of the process*
11 *governing timely connection of natural gas wells should be*
12 *established.*

13 SEC. 2. Section 785 of the Public Utilities Code is amended
14 to read:

15 785. (a) To the extent consistent with federal law and
16 regulation and contractual obligations regarding other available
17 gas, the commission shall, in consultation with the Division of Oil
18 and Gas of the Department of Conservation and with the State
19 Energy Resources Conservation and Development Commission,
20 encourage, as a first priority, the increased production of gas in this
21 state, including gas produced from that area of the Pacific Ocean
22 along the coast of California commonly known as the outer
23 continental shelf, and shall require, after a hearing, every gas
24 corporation to purchase gas that is compatible with the
25 corporation's gas plant and that is produced in this state having an
26 actual delivered cost, measured in equivalent heat units, equal to
27 or less than other available gas, unless this requirement will result
28 in higher overall costs of gas or other consequences adverse to the
29 interests of gas customers.

30 (b) The commission shall annually report to the Legislature on
31 its implementation of this section.

32 ~~(c) If the following conditions are met, a gas corporation shall~~
33 ~~provide a producer of natural gas in this state a hookup to connect~~
34 ~~a gas well of the producer with a gas pipeline of the gas corporation~~
35 ~~at the closest feasible site to the well not later than three weeks~~
36 ~~from the date the producer requested the hookup:~~

37 ~~(1) The well is complete and is ready to begin flowing gas to~~
38 ~~the pipeline connection.~~

~~(2) The producer provided the gas corporation with a certified test demonstrating that the quality of the gas submitted for delivery meets the gas corporation's quality specifications.~~

~~(3) Either a certified representative of the gas corporation or an independent third party inspector who is properly certified in conducting gas quality tests and inspections conducted the test required by paragraph (2).~~

~~(d) Notwithstanding Section 785.7, a gas corporation providing a hookup pursuant to subdivision (c) in addition to any charges permitted by the commission may charge the producer for any increased costs in labor, including costs for overtime, that the gas corporation expended in order to meet the three week requirement of subdivision (c). The charges for labor may not exceed the gas corporation's actual per hour costs as specified in any applicable labor contract of the gas corporation.~~

~~(e) When a producer requests a hookup pursuant to subdivision (c) and the gas corporation either cannot provide a hookup or will not be able to provide the hookup within the three-week period, the gas corporation shall immediately notify the producer in writing of the reasons for the denial or the delay.~~

~~(f) A gas corporation may not deny or delay a requested hookup based on the quality of the gas unless the gas corporation can demonstrate the gas presents a health or safety problem to the gas corporation's downstream customers.~~

~~(g) The gas corporation shall send a copy of the notification to the commission. The gas producer may send a copy of the notification to the commission.~~

SEC. 3. Section 785.1 of the Public Utilities Code is amended to read:

785.1. (a) The commission shall require, after a hearing, every gas corporation to revise its transportation tariffs and conditions of service to eliminate all components that assess shippers of gas produced in California for the costs of interstate transmission of gas produced outside of this state. These revisions shall eliminate direct or indirect charges for the interstate transportation of gas produced outside of this state, commonly referred to as "double demand" charges.

(b) The commission shall consider and approve tariffs consistent with subdivision (a) on or before October 1, 1994.

(c) Nothing in this section shall be construed to prohibit the commission from approving intrastate transmission tariffs ~~which~~ *that* include interstate transition cost surcharges, as described in commission decisions 91-11-025 and 92-07-025, in an appropriate manner.

~~(d) The commission shall prohibit a gas corporation from assessing local transportation charges on gas moved from storage when the gas corporation has been paid backbone rates to move the gas into storage.~~

SEC. 4. Section 785.5 of the Public Utilities Code is amended to read:

785.5. (a) The commission shall require every gas corporation to adopt and pursue purchasing and procurement practices that assure its customers the lowest rates consistent with security of supply and with Section 785.

(b) Pursuant to subdivision (a), the commission may establish and periodically revise the guidelines for each gas corporation for priorities among suppliers and sources of supply of gas to gas corporations, taking into consideration the requirements of Section 785. The establishment of these guidelines does not relieve a gas corporation of any requirement to make reasonable and prudent purchases of gas or diminish the authority of the commission to review the reasonableness of any purchase or procurement decision of the corporation.

~~(c) Notwithstanding any other provision of law, if the commission receives a notification pursuant to subdivision (c) of Section 785, the commission shall, within one week of receiving the notification, order a hearing to be completed within 30 days to determine if the denial or delay in the hookup was unwarranted or unreasonable. If the commission determines the denial or delay was unwarranted or unreasonable, in addition to any other remedies available to the commission, the commission may order the gas corporation to pay the producer up to ten thousand dollars (\$10,000) per day from the day following the three-week period until the hookup is completed.~~

~~SEC. 5. No reimbursement is required by this act pursuant to Section 6 of Article XIII B of the California Constitution because the only costs that may be incurred by a local agency or school district will be incurred because this act creates a new crime or infraction, eliminates a crime or infraction, or changes the penalty~~

1 ~~for a crime or infraction, within the meaning of Section 17556 of~~
2 ~~the Government Code, or changes the definition of a crime within~~
3 ~~the meaning of Section 6 of Article XIII B of the California~~
4 ~~Constitution.~~

5 ~~SEC. 6.~~

6 *SEC. 5.* This act is an urgency statute necessary for the
7 immediate preservation of the public peace, health, or safety
8 within the meaning of Article IV of the Constitution and shall go
9 into immediate effect. The facts constituting the necessity are:

10 In order to ensure, at the earliest possible time, the sufficient
11 availability of affordable natural gas necessary for electrical
12 production, residential heating, commodity production, and
13 industrial manufacturing, it is necessary for this act to take effect
14 immediately.

